

## Job Separations and the Passage to Unemployment and Welfare Benefits

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### Introduction

This briefing summarises a preliminary analysis of the relationship between job loss, the patterns of use of unemployment and welfare benefits, and the circumstances of their interactions.

Little is known about the movement of unemployed individuals to unemployment (UI) and welfare benefits in Canada. The limited research available in British Columbia suggests that important overlaps exist between UI and the Income Assistance program. In particular, there appears to be significant UI-welfare interactions observed for individuals who have applied for but are waiting for UI benefits to commence and those who have exhausted their UI benefits. The present study provides more extensive evidence of these and other interactions at a national level.

### Data

As part of a comprehensive evaluation of the effects of the regular UI program, a large national panel survey of persons who had a job separation is in progress. This new data collection — the Out-of-Employment Panel (OEP) survey — attempts to answer the question of how people cope financially in a household context following job loss, and the role of unemployment insurance as adequate temporary income replacement.

The survey sample was randomly selected from all individuals who left a job during two time periods in early 1993 when two main legislative changes to the regular UI program were implemented through Bill C-113. These included

the disenfranchisement of voluntary quitters (VQs) without just cause and the reduction of the benefit replacement rate from 60 percent to 57 percent for all beneficiaries.

Each participant has been interviewed twice to date, with the first interview being conducted 5 months after job separation and the second 8 months after the original job separation. A third interview will be conducted one year after the original job separation. The survey questions focus on how people cope financially while they are on UI, with additional information on job search and training. In total, 12,452 workers participated in the survey.

The OEP participants are broadly representative of job separations during 1992-93. For those who separated from a job before Bill C-113, some 49 percent separated from their job due to work shortage, 17 percent were voluntary departures, 17 percent separated for other reasons, and 5 percent were dismissed. Of those who separated after Bill C-113, 50 percent separated due to work shortage, 23 percent separated for other reasons, 15 percent were considered voluntary departures and 4 percent were dismissals.

### Key findings

Most individuals (83 percent) experiencing job separations established a claim for UI benefits. Of those who did not establish a UI claim (17 percent), about half (47 percent) believe that they are ineligible for benefits and a further 33 percent do not apply because they have already found a new job.



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At the time of the first interview, some 5 months after job separation, about 63 percent have had some employment. The median time to find the first job after job separation was 10.8 weeks. A significant proportion of these jobs are temporary, however, and only 43 percent were still employed at the time of the interview. Of these individuals, less than half (41 percent) expected the job to last 52 weeks.

About 3 percent of surveyed workers lived in households which were in receipt of social assistance (SA) immediately *before* job separation. In the period after job separation, an additional 5 percent of respondent's households received SA.

Table 1 below illustrates the relationship between UI status and household SA receipt. In interpreting these findings, it must be kept in mind that they represent the situation at 5 months after job separation when many UI claimants have not yet exhausted their UI benefits.

Some households (15 percent) received only welfare and not UI. Of those who received UI benefits, about half (54 percent) received welfare while waiting for their UI cheques to begin. A further 10 percent received welfare befits during their UI claim and 11 percent received welfare benefits at several stages of their UI claim. The remaining households (10 percent), received welfare benefits after their UI claim had terminated.

More than a third (36 percent) of the OEP sample reside in Ontario and a quarter (26 percent) live in Quebec. In contrast, the household SAR population is primarily concentrated in Ontario (47 percent) and British Columbia (17 percent).

The OEP sample was roughly balanced between men and women overall (51 percent and 49 percent respectively). However, individuals reporting household welfare receipt since their job separation were slightly more likely to be men than women (55 percent vs. 45 percent). By age group, 78 percent of the overall sample were prime age workers (25-54), 12 percent were youth (16-24) and 9 percent were older workers of age 55 or more. The respondents receiving household social assistance were younger: 17 percent were youth; 79 percent were prime age; and 4 percent 55 years or older. The individuals who reported household welfare receipt reported a lower level of schooling than those who did not receive welfare.

An examination of labour market outcomes for respondents who reported household welfare receipt compared to those whose household received no welfare reveals clear differences. Fewer individuals with household SA were able to find some work after their job separation (46 percent vs. 64 percent for those with no household SA). Those whose household received SA also took longer to find a job, on average (11.2 weeks) than those who had no household welfare receipt

**Table 1**  
Proportion of households of job losers who used social assistance at some time during the five months since job separation, Canada 1993

<i>Social Assistance (SA) status since job separation:</i>	Full sample = 9934		
	Number	Percent	
No social assistance received	9,161	94.1 %	
Social assistance receipt	591	5.9 %	SA sample
<i>Stage of UI claim:</i>			
Waiting for unemployment insurance benefits			54%
During unemployment insurance claim			10%
After unemployment insurance claim			10%
At multiple stages of UI claim			11%
No unemployment insurance benefits			15%

Source: OEP first survey, HRDC 1994



(10.7 weeks). This difference is also reflected in the hours of work in the new job. As compared to those with no household SA, those with household SA were slightly less likely to move from one full-time job to another (59 percent vs. 62 percent) and were somewhat more likely to move from a full-time job to a part-time job (15 percent vs. 12 percent). For those who originally separated from a part-time job, those with household SA moved into full-time jobs somewhat more often than their non-SA counterparts and, similarly, were less likely to move to another part-time job. The SA group tended to have higher expectations of their jobs, however: they expected their new job to last an average of 38.7 weeks as compared to 37.5 weeks for the non-SA group.

A number of salient differences between the social assistance recipient (SAR) and non-SAR households are related to household structure. It is apparent from Table 2 below, that the SAR group has a much larger proportion of households composed of single individuals with no children. SAR households also have a higher proportion of single-earner families (61 percent) as compared to non-SAR households (39 percent).

Table 2  
Household structure by welfare dependency,  
Canada 1993

Household type	No SA	SA receipt
Single, no kids	2,586 (28%)	247 (42%)
Couples, no kids	1,409 (15%)	39 (7%)
One/two-parent families	4,960 (53%)	293 (50%)

Source: OEP first survey, HRDC 1994

Not surprisingly, the SAR group also reported lower median incomes in the last month, with a median of \$1200, than did the non-SAR group who reported a median income of \$2,000. There was a similar gap in monthly household expenditures where the median for the SAR group was \$1,000 and \$1,400 for the non-SAR group. The welfare households reported a median level of household assets of \$1,000 compared to a median of \$5,000 for the non-welfare cases. The level of indebtedness other than mortgages or car loans was similar for both groups at \$2,000.

To sort out the potential influence of household factors on welfare receipt, an econometric analysis was conducted. The results of this analysis suggest a higher tendency for households to be on social assistance in Ontario than in other provinces, except Prince Edward Island, Saskatchewan and British Columbia. The likelihood of being poor and in need of social assistance while receiving UI is also related to the presence of other contributing earners in the household. One-earner households are more likely to be social assistance recipients than multiple-earner households. As expected, the number of dependants has a significant impact on the probability of being on welfare. Household consumption, which is strongly related to income, is confirmed as an important factor in welfare receipt. Finally, as expected, the importance of household assets and debts to the tendency toward welfare receipt is confirmed. Households with assets, including home ownership, are less likely to receive welfare. On the other hand, households burdened with debts other than cars or mortgages are more likely to be welfare recipients.

To illustrate the regression results more clearly, two scenarios have been estimated. The best scenario was defined as a household resident in Quebec, having more than one earner in the family but no dependants, owning a home, possessing assets and no debts and with the highest monthly consumption level from the sample. For such a hypothetical household, we estimate that the probability of being on social assistance would be almost zero.

On the other hand, the worst scenario would be represented by a household living in Ontario with only one earner in the household and with dependants, owning no home and with debts but not assets, and having the lowest consumption level in the sample. For this hypothetical household, the probability of being on social assistance would be close to 45 percent.

### Policy implications

The interaction of UI and SA is an important area of policy concern, particularly at a time when the social security system is under scrutiny and major changes are being deliberated.

It is clear from this analysis that a significant number of households require both UI and SA for income support. As reported 5 months after job separation, the majority of households who received welfare (54 percent) used the additional income to tide them over the period until their UI benefits began. However, as we are able to analyse

interview data obtained at 8 months and one year after job separation, we will be able to develop a more complete picture of SA use during and after a UI claim.

These early findings suggest however, that very few UI claimants come close to exhausting their benefits. By five months after the separation date, about 63 percent have had some employment. The average time to find the first post-separation job is 10.8 weeks.

## Biographical notes

**Ging Wong** is currently the Director of the Insurance Programs Directorate of the HRDC Program Evaluation Branch, Ottawa. He developed and directed the comprehensive evaluation of UI regular benefits, and has conducted large scale research on collective bargaining, industrial organisation, immigration, training, employment and related issues since 1980. He is also a founder and a Director of the Canadian Employment Research Forum.

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Copies of the full report and further copies of this summary are available from:

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